Q&A: What nationalisation is and how Northern Rock customers will be affected

Last updated at 00:25 18 February 2008

What exactly is nationalisation?
This involves the Government taking a privately-owned business into public ownership.

It is extremely rare and embarrassing for Labour.

Why announce it on a Sunday afternoon?
The Chancellor had to act before the Stock Exchange opens this morning.
The shares of Northern Rock will be suspended before trading begins.

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Beleagured bank: The Northern Rock fiasco began in August

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- Northern Rock's new boss: The poker player with £90,000 a month in chips

What about my savings with the Rock?
Don't panic. More than a million investors still have savings with the bank and they are completely safe.

All money has been guaranteed by the Government since September.

In fact, this means your savings are more secure than with any other bank or building society, which does not have such a guarantee.

I'm mortgaged with them. Will I lose my home?
No. You must simply continue to pay your monthly mortgage repayments as normal.

The owners of your mortgage lender will change, but nothing else.

Can I visit my local branch or the website today?
Yes, you can. All 76 branches will be open as normal, as will the website. What about the bank's 180,000 shareholders?

They will be the biggest losers in this crisis. Last year, the shares were worth more than £12.30.
On Friday, they were trading at 90p.

They will be suspended at this price which means nobody will be able to sell them.

About 80 per cent are private shareholders, mostly recipients of free "windfall" shares when the former building society became a bank in October 1997.

About 20 per cent are institutional shareholders, typically large investment firms or hedge funds.

**Will they get their money back?**

The Treasury will appoint an "independent valuer", probably a firm of accountants, to decide how much compensation should be paid.

Shareholders will be lucky to get any as the business ? without the Government guarantees ? is worth very little.

**Will the Chancellor run the bank?**

No. Alistair Darling has appointed one of Britain's best-known troubleshooters, Ron Sandler, who rescued the stricken insurer Lloyd's of London, to be executive chairman of the bank.

He will be paid the staggering sum of £90,000 a month for his trouble.

**How long will this last?**

The Government will be desperate to get rid of the embarrassment of a "nationalised" bank ? but it will not be easy.

As the past few months has demonstrated, finding a buyer who is prepared to make a decent offer has been impossible, and may continue to prove to be.

Mr Darling's insistence of "temporary public ownership" might prove wishful thinking.

People:

- Alistair Darling

Places:

- London

* Tomorrow's headlines
  - Mother 'set fire to house killing two of her children to create drama after partner cheated'
  - Two pensioners who snipped wire to burglar alarm that disturbed sleepy village for months are hauled to court NINE times
  - Three under-age joyriders killed in horrific crash that tore vehicle in two
  - Top German executive murders boy, 16, and blames it on stress at the office
  - Thousands of health workers to protest against NHS shake-up
  - Anarchists plotting to cause chaos at the Royal Wedding with smoke bombs and roadblocks
  - Well-known sportman's identity to remain secret after he wins gagging order appeal
  - Record number apply for uni places to bear tuition fee rise
  - Mother sent £80,000 to a man she thought was a charming U.S. soldier... but it was really Nigerian fraudsters
  - Female guard found strangled inside prison chapel as colleagues detain inmate 'planning escape'
  - Dramatic moment an Iraq veteran tackled drug addict gunman trying to rob a betting shop
  - Conman used fake CV to win £165,000 City job
  - Coming soon, compulsory water meters for all
  - War veteran, 93, died after being bunted five times 'by same man'
  - Teacher training places will be cut (and goodbye to the golden hellos)
  - House prices fall for the fourth month in a row
  - Lowry’s ‘hidden’ football painting could set £4.5m record
  - Heroin use in UK halves in three months... as poppy crop in Afghanistan fails
  - Temperatures plunge to -10C
  - Families worst hit by tax switch... and 750,000 will be dragged into paying higher rate band
  - Egypt braces for million-strong protest
  - 'Faulty boiler’ kills millionaire’s daughter at £2m home
  - ‘They're informants... if they get killed, they deserve it': Julian Assange's disregard for Afghan citizens
  - Ban on wearing distinctive 'colours' to deter gang culture
  - ‘I am no longer left-wing,’ admits Carla Bruni
  - Facebook users to get 'bargain deals' from Starbucks and other outlets... but only if you reveal your exact location
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Female guard, 34, found strangled inside prison chapel as colleagues detain inmate ‘planning escape’

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